

**Introduced by Senator Block**  
**(Coauthors: Senators Galgiani and Vidak)**  
(Coauthor: Assembly Member Maienschein)

February 19, 2015

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An act to amend Sections 21200, 21200.1, 21200.5, 21200.6, 21201, and 21201.2 of the Financial Code, relating to pawnbrokers.

LEGISLATIVE COUNSEL'S DIGEST

SB 285, as introduced, Block. Pawnbrokers: compensation: loans.

Existing law regulates pawnbrokers and sets the maximum compensation charged or received by pawnbrokers on loans to their customers. A knowing violation of the provisions regulating pawnbrokers is a crime.

Existing law provides a schedule of maximum charges for 21 loan brackets for the first 3 months of any loan.

This bill, in that schedule, would consolidate the 21 loan brackets into 6 and set maximum charges within those brackets.

Existing law, among other things, limits the charge for the 4th and subsequent months of a loan to 2.5% per month on the unpaid balance, as specified.

This bill would increase the charge limit for the 4th and subsequent months to 3% per month.

Existing law permits a loan setup fee of the greater of \$5 or 2% of the loan amount, not to exceed \$10.

This bill would adjust the permitted loan setup fee to the greater of either \$5 or 3% of the loan amount, not to exceed \$30.

Existing law permits a pawnbroker to collect a handling and storage charge for certain pawned articles at the time property is redeemed. Existing law establishes the maximum amount, irrespective of the

duration of the loan, that may be charged based on size of pawned articles, as specified, and prohibits a storage charge for any article that can be contained within one cubic foot.

This bill would instead provide that a pawnbroker may include the handling and storage charge when the pawnbroker issues a loan or any subsequent loan, as specified. This bill would permit a pawnbroker to additionally charge a maximum of \$1 for handling and storage of any article that can be contained within one cubic foot.

Existing law requires a pawnbroker to notify the borrower at his or her last known address of the termination of the loan period, by a means for which verification of mailing or delivery of the notification can be provided by the pawnbroker, and provides for extending the right of redemption for a period of 10 days from the date that notice is mailed.

This bill would instead require the pawnbroker to provide that notification to the pledgor at his or her last known mailing or electronic address, by a means for which verification of mailing or, at the sole option of the pledgor, electronic transmission of the notification can be provided by the pawnbroker, as specified.

Because a knowing violation of these provisions by a pawnbroker would be a crime, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 21200 of the Financial Code is amended
- 2 to read:
- 3 21200. (a) Except as otherwise provided in this chapter, no
- 4 pawnbroker shall charge or receive compensation at a rate
- 5 exceeding the sum of the following:
- 6 (1) ~~Two and one-half~~ Three percent per month on the unpaid
- 7 principal balance of any loan.

(2) A charge not exceeding three dollars (\$3) a month on any loan when the monthly charge permitted by paragraph (1) would otherwise be less.

(b) One month's interest may be charged for any part of the month in which pawned property is redeemed.

SEC. 2. Section 21200.1 of the Financial Code is amended to read:

21200.1. A loan setup fee ~~not to exceed~~ of five dollars (\$5) or 2 3 percent, whichever is greater, may be charged for each loan. However, the maximum loan setup fee shall not exceed ~~ten dollars (\$10)~~ *thirty dollars (\$30)*. Loan setup fees are in addition to any other allowed charges.

SEC. 3. Section 21200.5 of the Financial Code is amended to read:

21200.5. A pawnbroker may charge as prescribed in the following schedule:

#### Schedule of Charges

(a) A charge not exceeding ~~one dollar (\$1) per month for the first three months may be made on any loan~~ *three dollars (\$3) may be made on any loan for not more than three months* which does not exceed ~~fourteen nineteen~~ dollars and ninety-nine cents ~~(\$14.99)~~ *(\$19.99)*.

(b) A charge not exceeding ~~three dollars (\$3)~~ *six dollars (\$6)* may be made on any loan for not more than three months of ~~fifteen dollars (\$15)~~ *twenty dollars (\$20)* or more, but not exceeding ~~nineteen forty-nine~~ dollars and ninety-nine cents ~~(\$19.99)~~ *(\$49.99)*.

(c) A charge not exceeding ~~four dollars (\$4)~~ *nine dollars (\$9)* may be made on any loan for not more than three months of ~~twenty dollars (\$20)~~ *fifty dollars (\$50)* or more, but not exceeding ~~twenty-four seventy-four~~ dollars and ninety-nine cents ~~(\$24.99)~~ *(\$74.99)*.

(d) A charge not exceeding ~~five dollars (\$5)~~ *twelve dollars (\$12)* may be made on any loan for not more than three months of ~~twenty-five dollars (\$25)~~ *seventy-five dollars (\$75)* or more, but not exceeding ~~thirty-nine ninety-nine~~ dollars and ninety-nine cents ~~(\$39.99)~~ *(\$99.99)*.

(e) A charge not exceeding ~~six dollars (\$6)~~ *fifteen dollars (\$15)* may be made on any loan for not more than three months of ~~forty~~

~~dollars—(\$40) one hundred dollars (\$100) or more, but not exceeding—forty-nine one hundred seventy-four dollars and ninety-nine cents—(\$49.99) (\$174.99).~~

~~(f) A charge not exceeding seven dollars and fifty cents (\$7.50) 9 percent may be made on any loan for not more than three months on any loan of fifty dollars (\$50) one hundred seventy-five dollars (\$175) or more, but not exceeding sixty-four two thousand four hundred ninety-nine dollars and ninety-nine cents—(\$64.99) (\$2,499.99).~~

~~(g) A charge not exceeding eight dollars and fifty cents (\$8.50) may be made on any loan for not more than three months of sixty-five dollars (\$65) or more, but not exceeding seventy-four dollars and ninety-nine cents (\$74.99).~~

~~(h) A charge not exceeding ten dollars (\$10) may be made on any loan for not more than three months of seventy-five dollars (\$75) or more, but not exceeding ninety-nine dollars and ninety-nine cents (\$99.99).~~

~~(i) A charge not exceeding twelve dollars and fifty cents (\$12.50) may be made on any loan for not more than three months of one hundred dollars (\$100) or more, but not exceeding one hundred twenty-four dollars and ninety-nine cents (\$124.99).~~

~~(j) A charge not exceeding thirteen dollars and fifty cents (\$13.50) may be made on any loan for not more than three months of one hundred twenty-five dollars (\$125) or more, but not exceeding one hundred forty-nine dollars and ninety-nine cents (\$149.99).~~

~~(k) A charge not exceeding fifteen dollars (\$15) may be made on any loan for not more than three months of one hundred fifty dollars (\$150) or more, but not exceeding two hundred twenty-four dollars and ninety-nine cents (\$224.99).~~

~~(l) A charge not exceeding twenty dollars (\$20) may be made on any loan for not more than three months of two hundred twenty-five dollars (\$225) or more, but not exceeding three hundred twenty-four dollars and ninety-nine cents (\$324.99).~~

~~(m) A charge not exceeding twenty-five dollars (\$25) may be made on any loan for not more than three months of three hundred twenty-five dollars (\$325) or more, but not exceeding four hundred forty-nine dollars and ninety-nine cents (\$449.99).~~

~~(n) A charge not exceeding thirty-five dollars (\$35) may be made on any loan for not more than three months of four hundred~~

1  ~~fifty dollars (\$450) or more, but not exceeding five hundred~~  
2  ~~ninety-nine dollars and ninety-nine cents (\$599.99).~~

3  ~~(e) A charge not exceeding forty-five dollars (\$45) may be made~~  
4  ~~on any loan for not more than three months of six hundred dollars~~  
5  ~~(\$600) or more, but not exceeding seven hundred ninety-nine~~  
6  ~~dollars and ninety-nine cents (\$799.99).~~

7  ~~(p) A charge not exceeding fifty-five dollars (\$55) may be made~~  
8  ~~on any loan for not more than three months of eight hundred dollars~~  
9  ~~(\$800) or more, but not exceeding nine hundred ninety-nine dollars~~  
10  ~~and ninety-nine cents (\$999.99).~~

11  ~~(q) A charge not exceeding seventy dollars (\$70) may be made~~  
12  ~~in any loan for not more than three months of one thousand dollars~~  
13  ~~(\$1,000) or more, but not exceeding eleven hundred ninety-nine~~  
14  ~~dollars and ninety-nine cents (\$1,199.99).~~

15  ~~(r) A charge not exceeding eighty-five dollars (\$85) may be~~  
16  ~~made on any loan for not more than three months of twelve hundred~~  
17  ~~dollars (\$1,200) or more, but not exceeding fourteen hundred~~  
18  ~~ninety-nine dollars and ninety-nine cents (\$1,499.99).~~

19  ~~(s) A charge not exceeding one hundred dollars (\$100) may be~~  
20  ~~made on any loan for not more than three months of fifteen hundred~~  
21  ~~dollars (\$1,500) or more, but not exceeding seventeen hundred~~  
22  ~~ninety-nine dollars and ninety-nine cents (\$1,799.99).~~

23  ~~(t) A charge not exceeding one hundred twenty dollars (\$120)~~  
24  ~~may be made on any loan for not more than three months of~~  
25  ~~eighteen hundred dollars (\$1,800) or more, but not exceeding two~~  
26  ~~thousand ninety-nine dollars and ninety-nine cents (\$2,099.99).~~

27  ~~(u) A charge not exceeding one hundred forty dollars (\$140)~~  
28  ~~may be made on any loan for not more than three months of~~  
29  ~~twenty-one hundred dollars (\$2,100) or more, but not exceeding~~  
30  ~~twenty-four hundred ninety-nine dollars and ninety-nine cents~~  
31  ~~(\$2,499.99).~~

32  ~~(v)~~

33  ~~(g) The monthly charge for any extension of a written contract~~  
34  ~~required by Section 21201 or 21201.5 shall be computed in~~  
35  ~~accordance with the provisions of Section 21200.~~

36  ~~The~~

37  ~~(h) The~~ schedule of charges prescribed by this section shall be  
38 posted in a place clearly visible to the general public.

39 SEC. 4. Section 21200.6 of the Financial Code is amended to  
40 read:

21200.6. (a) In addition to other allowed charges, ~~at the time property is redeemed~~ *when a pawnbroker issues a loan or any subsequent loan as permitted by Section 21201.5, the pawnbroker may collect include* a handling and storage charge for ~~certain~~ pawned articles. ~~Irrespective of the duration of the loan, For any loan issued pursuant to Section 21201 or subsequent loan issued pursuant to Section 21201.5,~~ the maximum amount that may be charged pursuant to this section is in accordance with the following schedule:

(1) *One dollar (\$1) for any article that can be contained within one cubic foot.*

~~(1)~~  
(2) Five dollars (\$5) for any article that cannot be contained within one cubic foot *but can be contained within three cubic feet.*

~~(2)~~  
(3) Ten dollars (\$10) for any article that cannot be contained within three cubic feet *but can be contained within six cubic feet.*

~~(3)~~  
(4) Twenty dollars (\$20) for any article that cannot be contained within six cubic feet and one dollar (\$1) for each additional cubic foot in excess of six cubic feet.

~~(b) No storage charge is allowed for any article that can be contained within one cubic foot.~~

~~(c)~~  
(b) For purposes of this section, cubic feet shall be determined by multiplying the width of an article, at its greatest width, by the depth of an article, at its greatest depth, by the height of an article, at its greatest height.

SEC. 5. Section 21201 of the Financial Code is amended to read:

21201. (a) Every loan made by a pawnbroker for which goods are received in pledge as security shall be evidenced by a written contract, a copy of which shall be furnished to the ~~borrower~~ *pledgor*. The loan contract shall provide a four-month loan period, shall set forth the loan period and the date on which the loan is due and payable, and shall clearly inform the ~~borrower~~ *pledgor* of his or her right to redeem the pledge during the loan period.

~~Every~~  
(b) *Every* loan contract shall contain the following notice, in at least 8-point boldface type and circumscribed by a box,

1 immediately above the space for the ~~borrower's~~ *pledgor's*  
2 signature:

3 “You may redeem the property you have pledged at any time  
4 until the close of business on \_\_\_\_ [fill in date four months from  
5 date loan begins]. To redeem, you must pay the amount of the loan  
6 and the applicable charges which have accrued through the date  
7 on which you redeem.”

8 ~~Every~~

9 (c) *Every* pawnbroker shall retain in his or her possession every  
10 article pledged to him or her for a period of four months. During  
11 such period the ~~borrower~~ *pledgor* may redeem the articles upon  
12 payment of the amount of the loan and the applicable charges. If  
13 the ~~borrower~~ *pledgor* and the pawnbroker agree in writing that the  
14 pawned property may be stored off premises, following the request  
15 for redemption of the loan, the pawnbroker shall return the pledged  
16 property to the ~~consumer~~ *pledgor* the next calendar day when both  
17 the pawnbroker's store and the storage facility are open, not to  
18 exceed two business days.

19 ~~If~~

20 (d) *If* any pledged article is not redeemed during the four-month  
21 loan period as provided herein, and the ~~borrower~~ *pledgor* and  
22 pawnbroker do not mutually agree in writing to extend the loan  
23 period, the pawnbroker shall notify the ~~borrower~~ *pledgor* within  
24 one month after expiration of the loan period. If the pawnbroker  
25 fails to notify the ~~borrower~~ *pledgor* within one month after the  
26 expiration of the loan period, the pawnbroker shall not charge  
27 interest from the day after the expiration of the one-month period.  
28 The pawnbroker shall notify the ~~borrower~~ *pledgor* at his or her  
29 last known *mailing or electronic* address of the termination of the  
30 loan period, by a means for which verification of mailing ~~or~~  
31 ~~delivery~~ *or, at the sole option of the pledgor, electronic*  
32 *transmission* of the notification can be provided by the pawnbroker,  
33 and extending the right of redemption, during posted business  
34 hours, for a period of 10 days from date of mailing *or electronic*  
35 *transmission* of that notice. The 10-day notice shall ~~include a~~  
36 ~~statement that:~~ *state, in substantially the same format as the*  
37 *following:* “If the tenth day falls on a day when the pawnshop is  
38 closed, the time period is extended to the next day that the  
39 pawnshop is open.”

40 ~~However, the~~

1 (e) *The posted schedule of charges required pursuant to Section*  
2 *21200.5 shall contain a notice informing the borrower pledgor that*  
3 *if he or she desires, the pawnbroker shall send the notice of*  
4 *termination of the loan period by registered or certified mail with*  
5 *return receipt requested, upon prepayment of the mailing costs. If*

6 (f) *If any pledged article is not redeemed within the 10-day*  
7 *notice period, the pawnbroker shall become vested with all right,*  
8 *title, and interest of the pledgor, or his or her assigns, to the pledged*  
9 *article, to hold and dispose of as his or her own property. Any*  
10 *other provision of law relating to the foreclosure and sale of*  
11 *pledges shall not be applicable to any pledge the title to which is*  
12 *transferred in accordance with this section. The pawnbroker shall*  
13 *not sell any article of pledged property until he or she has become*  
14 *vested with the title to that property pursuant to this section. The*

15 (g) *The sale of pledged property is a misdemeanor pursuant to*  
16 *Section 21209.*

17 SEC. 6. Section 21201.2 of the Financial Code is amended to  
18 read:

19 21201.2. If the pledgor fails to redeem any pawned item during  
20 the loan period, thereby obliging the pawnbroker to mail *or*  
21 *electronically transmit* the notice required under Section 21201,  
22 the pawnbroker may charge a fee of up to three dollars (\$3) for  
23 services and costs pertaining to the preparation of the notice, in  
24 addition to any other allowed charges.

25 SEC. 7. No reimbursement is required by this act pursuant to  
26 Section 6 of Article XIII B of the California Constitution because  
27 the only costs that may be incurred by a local agency or school  
28 district will be incurred because this act creates a new crime or  
29 infraction, eliminates a crime or infraction, or changes the penalty  
30 for a crime or infraction, within the meaning of Section 17556 of  
31 the Government Code, or changes the definition of a crime within  
32 the meaning of Section 6 of Article XIII B of the California  
33 Constitution.